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CLAREPINE OIL and GAS LTD.

Sixth Annual Report

Clarepine Oil and Gas Ltd.

EDMONTON, ALBERTA

Board of Directors

R. A. McAlpine—Edmonton, Alberta
C. P. Stumborg—Edmonton, Alberta
J. J. Stumborg—Edmonton, Alberta

Officers

R. A. McAlpine, P.Eng.—President
C. P. Stumborg—Vice-President
J. J. Stumborg—Secretary-Treasurer

Transfer Agent

North West Trust Co.
10166 - 100th Street
Edmonton, Alberta
717 - 7th Avenue S.W.
Calgary, Alberta

Solicitors

Milner, Steer, Dyde, Massie, Layton, Cregon & Macdonnell
9th Floor Milner Building
Edmonton, Alberta

Auditor

Gardner & Co., Chartered Accountants
203, 10275 Jasper Avenue
Edmonton, Alberta

Consulting Engineers

Blain, Binnie & Mathis
306, 634 - 6th Avenue S.W.
Calgary, Alberta

Head Office

560 One Thornton Court
Edmonton, Alberta

Listed

Calgary Stock Exchange

Clarepine Oil and Gas Ltd.

1969 ANNUAL REPORT

Directors' Report to the Shareholders

Your Directors are pleased to submit the Annual Report of your Company and its subsidiary together with the consolidated Financial Statement for the year ended November 30, 1969.

FINANCIAL: During the year under review income from all sources was \$135,461.60 as compared with \$107,528.29 for 1968. After deduction of all expenses net profit for the year was \$54,448.18 compared with \$5,067.82 for 1968. This has been the company's most successful year to date. In the 1969 fiscal year the company's working capital position was increased by \$92,676.10. This substantial increase over 1968 is in keeping with your management's philosophy and will result in the continuation of the growth pattern of your Company.

INVESTMENTS: The Company has continued to maintain its interest in Pacific Copper Mines Ltd. In a recent release to shareholders, Pacific Copper Mines Ltd. reports an estimated 14,042,000 short tons of ore averaging 0.82 percent Copper, 0.03 ounces of Gold per ton, 0.18 ounces of Silver per ton and 25% Iron. The company further reports that their consultants Chapman, Wood and Griswold of Vancouver are currently doing a complete feasibility study of this Copper deposit. Your management is pleased with the developments in this company to date and we look for a further appreciation of this investment during 1970.

OIL PRODUCTION AND RESERVES: Gross income from oil sales during 1969 was \$27,625.14 as compared to \$36,624.23 for 1968. Although maximum effort has been made to make the marginal Lloydminster wells profitable we must report that all effort to date has been unsuccessful. The policy of eliminating or upgrading marginal operations will be continued and the non profitable portions of our oil operation will be abandoned this year.

LAND DEVELOPMENT: The company Greenway Investments Ltd. successfully negotiated a mortgage to finance the acquisition and development of a 43 acre parcel of land within the Edmonton City Limits. Your Company has retained a 50% interest in the equity of this company. A second land development company Greenway Homes Ltd. was organized to acquire and develop a 55 acre parcel. Your Company has retained a 30% interest in the equity of this company. Your Company has no financial obligation under the terms of the agreements, but will provide the management required to develop the assets. Both parcels of land held for development are within Edmonton's Clareview Sub-division.

The Directors wish to express their appreciation for your continued interest in the affairs of the Company.

Respectfully submitted on behalf of the Board of Directors.

R. A. McAlpine, P.ENG.
President

AUDITOR'S REPORT

To the Shareholders,
Clarepine Oil and Gas Ltd.,
Edmonton, Alberta.

We have examined the Consolidated Balance Sheet of Clarepine Oil and Gas Ltd. and Subsidiary Company as at November 30, 1969 and the Consolidated Statements of Income and Expense, Retained Earnings and Source and Application of Funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these Consolidated Financial Statements when read in conjunction with the Notes appended thereto present fairly the financial position of the Companies as at November 30, 1969, the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta,
January 28, 1970.

GARDNER & CO.,
Chartered Accountants.

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ASSETS

	<u>1969</u>	<u>1968</u>
Current		
Cash in banks	\$ 12,919.82	\$ 16,536.67
Term deposit receipt	100,000.00	10,000.00
Accounts receivable	5,089.17	1,531.89
Marketable securities, at cost (market value 1969—\$342,316.70, 1968—\$280,829.17)	155,944.56	200,667.14
Prepaid expense	77.67	
	<u>274,031.22</u>	<u>228,735.70</u>
Investment in private companies, at cost		
Shares	2,006.00	2,000.00
Advances	1,657.90	
	<u>3,663.90</u>	<u>2,000.00</u>
Fixed, at cost		
Leases—producing	29,860.78	29,860.78
Intangible development costs	133,436.88	133,436.88
Production equipment	62,442.99	62,442.99
Furniture, fixtures and automotive equipment	6,066.51	4,599.51
	<u>231,807.16</u>	<u>230,340.16</u>
Deduct: accumulated depletion, amortization and depreciation	61,839.81	52,138.17
	<u>169,967.35</u>	<u>178,201.99</u>
Non-producing lease costs and claims	32,527.33	32,327.33
	<u>202,494.68</u>	<u>210,529.32</u>
Other, at cost		
Deposit on option		15,069.00
Performance deposit	6,000.00	6,000.00
Organization expenses	2,947.90	3,302.80
	<u>8,947.90</u>	<u>24,371.80</u>
Excess of cost of investment in subsidiary company over its net book value	<u>19,697.10</u>	<u>16,063.88</u>
	<u><u>\$508,834.80</u></u>	<u><u>\$481,700.70</u></u>

Approved on behalf of the board
C. P. Stumborg, Director
R. A. McAlpine, Director

nd Gas Ltd.

COMPANY

ALANCE SHEET

R 30, 1969

ures for 1968)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1969</u>	<u>1968</u>
Current		
Bank loan	\$ 35,750.14	\$ 42,104.08
Accounts payable—trade	7,551.97	4,526.86
—other	17,580.12	65,233.63
Corporation income taxes payable	3,601.76	
	<u>64,483.99</u>	<u>111,864.57</u>
Minority interest in subsidiary company	15,267.78	14,787.56
 Shareholders' Equity		
Capital Stock		
Authorized: 10,000,000 common shares without nominal or par value		
Issued:		
2,075,000 shares	383,000.00	383,000.00
Deduct:		
Shares held by subsidiary company		<u>20,415.60</u>
	<u>383,000.00</u>	<u>362,584.40</u>
Retained Earnings	<u>46,083.03</u>	<u>(7,535.83)</u>
	<u>429,083.03</u>	<u>355,048.57</u>
	 <u><u>\$508,834.80</u></u>	 <u><u>\$481,700.70</u></u>

Clarepine Oil and Gas Ltd.

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE

for the year ended November 30, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Income		
Oil sales	\$ 27,625.14	\$ 36,624.23
Investment income	4,399.56	9,674.78
Consulting fees	18,333.32	12,000.00
Gain on sale of securities	85,103.58	49,229.28
	<u>135,461.60</u>	<u>107,528.29</u>
Expenses		
Production expenses	29,100.67	28,142.16
General and administrative	32,126.78	25,836.54
Interest	4,836.29	14,769.27
	<u>66,063.74</u>	<u>68,747.97</u>
Profit before the undernoted	<u>69,397.86</u>	<u>38,780.32</u>
Provision for depletion, amortization and depreciation	11,632.50	12,140.16
Dry well written off and non-producing lease abandoned		18,701.50
Gain on sale of automotive equipment	(1,897.86)	
Corporation income taxes	2,324.51	
	<u>12,059.15</u>	<u>30,841.66</u>
Profit before minority interest	<u>57,338.71</u>	<u>7,938.66</u>
Income applicable to minority interest	<u>2,890.53</u>	<u>2,870.84</u>
Net income	<u>\$ 54,448.18</u>	<u>\$ 5,067.82</u>

Clarepine Oil and Gas Ltd.

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF DEFICIT

for the year ended November 30, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Deficit Balance at beginning of year	\$ (7,535.83)	\$ (12,603.65)
Corporation income taxes on prior year's security transactions	(829.32)	
Net income for the year	<u>54,448.18</u>	<u>5,067.82</u>
Balance at end of year	<u>\$ 46,083.03</u>	<u>\$ (7,535.83)</u>

Clarepine Oil and Gas Ltd.

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended November 30, 1969
(with comparative figures for 1968)

Source of Funds	1969	1968
Provided by operations:		
Net income for the year	\$ 54,448.18	\$ 5,067.82
Expenses not requiring an outlay of funds		
— depletion, depreciation and amortization	11,632.50	12,140.16
— dry well written off and non-producing lease abandoned		18,701.50
Gain on sale of automotive equipment	(1,897.86)	
	<u>64,182.82</u>	<u>35,909.48</u>
Reduction in excess of cost of investment in subsidiary company over its net book value	(3,633.22)	3,633.22
Increase in minority interest	480.22	4,833.22
Proceeds from sale of automotive equipment	3,753.00	
Recovery of deposit on option	15,069.00	
Decrease in organization expense by reclassification of subsidiary company to non subsidiary status	354.90	
Increase in capital stock by subsidiary sale of holdings in parent company	20,415.60	
	<u>100,622.32</u>	<u>44,375.92</u>
Application of Funds		
Increase in intangible development costs		167.76
Purchase of production equipment		8.46
Purchase of automotive equipment	5,253.00	110.51
Purchase of interest in mineral claim	200.00	200.00
Increase in organization expenses		354.90
Deposit on option		15,069.00
Reduction of Capital Stock by subsidiary purchase of same		20,415.60
Corporation income taxes on prior year's security transactions	829.32	
Increase in investment in private companies	1,663.90	
	<u>7,946.22</u>	<u>36,326.23</u>
Increase in consolidated working capital	<u>\$ 92,676.10</u>	<u>\$ 8,049.69</u>

Clarepine Oil and Gas Ltd.

AND SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT NOVEMBER 30, 1969

1. The investment in shares has no quoted market value.
2. The bank loan is secured by a general assignment of producing oil leases and a general assignment of accounts receivable and is being repaid at \$1,500.00 per month including interest.
3. Remuneration to officers of the companies totalled \$15,105.57.
4. Shares of Clarepine Oil and Gas Ltd. held in escrow as at the Balance Sheet date totalled 455,956.
5. Clarepine Oil and Gas Ltd. employs the "full cost method of accounting" wherein all costs relative to the exploration for and development of oil and gas reserves are capitalized. These costs are amortized on the unit of production method based on total estimated proven developed reserves. Production equipment is depreciated on the straight line method based on a ten year life.

It is the policy of Clarepine Oil and Gas Ltd. to claim for income tax purposes, exploration and development expenditures as incurred, as well as maximum capital cost allowances. These amounts are in excess of the related charges for depletion, amortization and depreciation recorded in the Financial Statements.

6. A subsidiary company was re-assessed during 1967 by the Department of National Revenue on the gains made during 1966 on its security transactions. The company has vacated its original position that gains of this nature were not taxable. A provision has been made for corporation income taxes on all gains to date. Adjustment of prior years' income for these taxes affected Consolidated Retained Earnings by \$829.32.

Income taxes of the parent company have been eliminated by application of prior years' losses against current income.

7. Shares in Clarepine Oil and Gas Ltd. held by a subsidiary company at November 30, 1968 were sold during the year ended November 30, 1969.
8. The interest of Clarepine Oil and Gas Ltd. in a former wholly-owned subsidiary company was reduced to 50% in return for a \$450,000.00 — 6 year mortgage obtained by the former subsidiary to finance acquisition and development of 43.297 acres of land in North East Edmonton. The financial statements of this company have not been included in these Consolidated Financial Statements.

